

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name South Haven & Casco Twp Water/Sewer Aut		County Allegan & Van Buren	
Fiscal Year End June 30, 2007		Opinion Date December 27, 2007		Date Audit Report Submitted to State December 29, 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

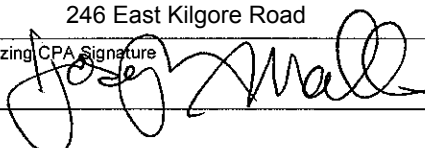
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☒ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed		Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations		<input type="checkbox"/>			
Other (Describe)		<input checked="" type="checkbox"/>		SAS 112 report	
Certified Public Accountant (Firm Name) Siegfried Crandall P.C.			Telephone Number 269-381-4970		
Street Address 246 East Kilgore Road			City Kalamazoo	State MI	Zip 49002
Authorizing CPA Signature 		Printed Name Joseph M. Walls		License Number 1101013696	

***South Haven Township and Casco Township
Water and Sewage Treatment Authority
Allegan County, Michigan***
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2007

CONTENTS

	<i>Page</i>
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	4
Statement of activities	5
Fund financial statements:	
Combining balance sheet - governmental funds	6 - 7
Combining statement of revenues, expenditures, and changes in fund balances - governmental funds	8 - 9
Notes to financial statements	10 - 16
SUPPLEMENTARY DATA	
Schedules of assets, liabilities, and fund balances:	
As allocated to the Township of South Haven	17
As allocated to the Township of Casco	18
Schedules of revenues, expenditures, and changes in fund balances:	
As allocated to the Township of South Haven	19
As allocated to the Township of Casco	20
Schedules of bond retirement and annual interest requirements	21 - 25

INDEPENDENT AUDITORS' REPORT

Board of Trustees
South Haven Township and Casco Township
Water and Sewage Treatment Authority

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of the South Haven Township and Casco Township Water and Sewage Treatment Authority as of and for the year ended June 30, 2007, which collectively comprise the Authority's basic financial statements as listed in the contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the remaining fund information of the South Haven Township and Casco Township Water and Sewage Treatment Authority as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As disclosed in Note 10 to the financial statements, the Authority recorded a prior period adjustment to correct its method of accounting for interest revenue and interest expenditures.

The South Haven Township and Casco Township Water and Sewage Treatment Authority has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the South Haven Township and Casco Township Water and Sewage Treatment Authority's basic financial statements. The supplementary data, as listed in the contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The supplementary data has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

December 27, 2007



1958-2008

BASIC FINANCIAL STATEMENTS

South Haven Township and Casco Township Water and Sewage Treatment Authority
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 269,465
Receivables, net	<u>312,406</u>
Total current assets	<u>581,871</u>
Noncurrent assets:	
Receivables, net	5,023,912
Deferred charges	144,625
Capital assets, net of accumulated depreciation	<u>23,741,911</u>
Total noncurrent assets	<u>28,910,448</u>
Total assets	<u>29,492,319</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	196,700
Current maturities of long-term debt	<u>1,060,000</u>
Total current liabilities	1,256,700
Noncurrent liabilities - long-term debt	<u>22,745,488</u>
Total liabilities	<u>24,002,188</u>
NET ASSETS	
Invested in capital assets, net of related debt	106,828
Restricted for public works	42,442
Restricted for debt service	<u>5,340,861</u>
Total net assets	<u>\$ 5,490,131</u>

See notes to financial statements

South Haven Township and Casco Township Water and Sewage Treatment Authority
STATEMENT OF ACTIVITIES
Year ended June 30, 2007

	<u>Governmental activities</u>
EXPENSES	
Public works	\$ 648,225
Interest	<u>1,127,252</u>
Total expenses	<u>1,775,477</u>
PROGRAM REVENUES	
Customer charges	717,336
Fees and permits	5,750
Special assessments	668,949
Interest	<u>31,510</u>
Total program revenues	<u>1,423,545</u>
CHANGE IN NET ASSETS	(351,932)
NET ASSETS - BEGINNING	<u>5,842,063</u>
NET ASSETS - ENDING	<u>\$ 5,490,131</u>

See notes to financial statements

South Haven Township and Casco Township Water and Sewage Treatment Authority
COMBINING BALANCE SHEET- governmental funds
June 30, 2007

	Debt Service		
	1998	2000	2004 (95/97)
	Series	Series	Series
	Fund	Fund	Fund
ASSETS			
Cash	\$ 63,605	\$ 100,168	\$ 8,318
Receivables	1,015,178	2,435,782	614,056
Due from other funds	-	-	109,362
	<u>-</u>	<u>-</u>	<u>109,362</u>
Total assets	<u>\$ 1,078,783</u>	<u>\$ 2,535,950</u>	<u>\$ 731,736</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ -	\$ 14,279	\$ -
Due to other funds	-	66,001	-
Deferred revenue	952,201	2,303,554	556,448
	<u>952,201</u>	<u>2,303,554</u>	<u>556,448</u>
Total liabilities	952,201	2,383,834	556,448
Fund balance - unreserved, undesignated	<u>126,582</u>	<u>152,116</u>	<u>175,288</u>
Total liabilities and fund balances	<u>\$ 1,078,783</u>	<u>\$ 2,535,950</u>	<u>\$ 731,736</u>

<u>2004 (99)</u> <u>Series</u> <u>Fund</u>	<u>2006</u> <u>Series</u> <u>Fund</u>	<u>2006</u> <u>Capital</u> <u>Project</u> <u>Fund</u>	<u>Nonmajor</u> <u>fund</u> <u>Capital</u> <u>projects</u>	<u>Total</u>
\$ -	\$ 47,878	\$ 42,442	\$ 7,054	\$ 269,465
851,870	418,466	-	967	5,336,319
-	-	-	-	109,362
<u>\$ 851,870</u>	<u>\$ 466,344</u>	<u>\$ 42,442</u>	<u>\$ 8,021</u>	<u>\$ 5,715,146</u>

\$ -	\$ -	\$ -	\$ 8,021	\$ 22,300
43,361	-	-	-	109,362
<u>808,509</u>	<u>403,201</u>	<u>-</u>	<u>-</u>	<u>5,023,913</u>
851,870	403,201	-	8,021	5,155,575
-	63,143	42,442	-	559,571
<u>\$ 851,870</u>	<u>\$ 466,344</u>	<u>\$ 42,442</u>	<u>\$ 8,021</u>	<u>\$ 5,715,146</u>

See notes to financial statements

South Haven Township and Casco Township Water and Sewage Treatment Authority
COMBINING BALANCE SHEET- governmental funds (Continued)

June 30, 2007

Total fund balances \$ 559,571

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Bond issuance costs are expenditures in the funds, but deferred on the statement of net assets. 144,625

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 23,741,911

Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds. 5,023,912

Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds. (174,400)

Long-term liabilities, including bonds payable and advances from other governmental units, are not due and payable in the current period and, therefore, are not reported in the funds. (23,805,488)

Net assets of *governmental activities* \$ 5,490,131

South Haven Township and Casco Township Water and Sewage Treatment Authority
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - governmental funds
Year ended June 30, 2007

	Debt Service		
	1998	2000	2004 (95/97)
	Series	Series	Series
	Fund	Fund	Fund
REVENUES			
Customer charges - debt service	\$ 177,871	\$ 250,121	\$ 215,979
Fees and permits	-	5,750	-
Interest	76,027	147,978	69,649
Other - special assessments	164,104	359,482	155,411
Total revenues	<u>418,002</u>	<u>763,331</u>	<u>441,039</u>
EXPENDITURES			
Public works	14,945	21,011	18,144
Debt service:			
Principal	150,000	400,000	320,000
Interest and fees	261,350	490,025	97,863
Total expenditures	<u>426,295</u>	<u>911,036</u>	<u>436,007</u>
EXCESS (DEFICIENCY) OF REVENUES			
OVER EXPENDITURES	<u>(8,293)</u>	<u>(147,705)</u>	<u>5,032</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Advances from townships	30,736	43,253	37,338
Operating transfer in	-	-	100,910
Operating transfer out	(19,120)	(224,720)	(23,205)
Total other financing sources (uses)	<u>11,616</u>	<u>(181,467)</u>	<u>115,043</u>
NET CHANGE IN FUND BALANCES	3,323	(329,172)	120,075
FUND BALANCES - BEGINNING	<u>123,259</u>	<u>481,288</u>	<u>55,213</u>
FUND BALANCES - ENDING	<u>\$ 126,582</u>	<u>\$ 152,116</u>	<u>\$ 175,288</u>

<u>2004 (99)</u> <u>Series</u> <u>Fund</u>	<u>2006</u> <u>Series</u> <u>Fund</u>	<u>2006</u> <u>Capital</u> <u>Project</u> <u>Fund</u>	<u>Nonmajor</u> <u>fund</u> <u>Capital</u> <u>projects</u>	<u>Total</u>
\$ 73,365	\$ -	\$ -	\$ -	\$ 717,336
-	-	-	-	5,750
61,899	14,271	3,803	-	373,627
<u>111,078</u>	<u>53,094</u>	<u>-</u>	<u>-</u>	<u>843,169</u>
 246,342	 67,365	 3,803	 -	 1,939,882
 7,309	 -	 345,816	 82,334	 489,559
180,000	-	-	-	1,050,000
<u>226,405</u>	<u>17,911</u>	<u>-</u>	<u>-</u>	<u>1,093,554</u>
 413,714	 17,911	 345,816	 82,334	 2,633,113
 (167,372)	 49,454	 (342,013)	 (82,334)	 (693,231)
-	-	435,000	-	435,000
4,873	-	-	-	116,200
147,491	-	-	82,334	330,735
<u>(13,145)</u>	<u>-</u>	<u>(50,545)</u>	<u>-</u>	<u>(330,735)</u>
 139,219	 -	 384,455	 82,334	 551,200
(28,153)	49,454	42,442	-	(142,031)
<u>28,153</u>	<u>13,689</u>	<u>-</u>	<u>-</u>	<u>701,602</u>
 \$ -	 \$ 63,143	 \$ 42,442	 \$ -	 \$ 559,571

See notes to financial statements

South Haven Township and Casco Township Water and Sewage Treatment Authority
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - governmental funds
Year ended June 30, 2007

Net change in fund balances - total governmental funds \$ (142,031)

Amounts reported for *governmental activities* in the statement of activities (page 5) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount of by which depreciation (\$554,419) exceeded capital asset additions (\$395,753) in the current period. (158,666)

Advances from other governmental units provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net assets. (116,200)

Bond issuance costs are recorded as expenditures in the funds when incurred. These costs are expensed over the life of the outstanding bonds in the statement of activities. (38,298)

Proceeds from issuance of bonds payable provide current financial resources in the funds, but increase long-term liabilities in the statement of net assets (435,000)

Repayment of bond principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,050,000

Special assessments are not available to pay for current-period expenditures, and are deferred in the funds. This is the net change in the amounts deferred this year. (516,337)

Interest on long-term liabilities is recorded when due in the funds, but accrued on the statement of net assets. The decrease in interest accrual was as follows. 4,600

Change in net assets of *governmental activities* \$ (351,932)

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the South Haven Township and Casco Township Water and Sewage Treatment Authority, Michigan (the Authority), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Authority. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Authority has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Authority's financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Authority. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other revenue items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and expenditures relating to claims and judgments are recorded only when payment is due.

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Authority reports the following major governmental funds:

1998 Series Fund - this fund is used to record the funding and payment of principal and interest on debt related to the bonds issued in 1998.

2000 Series Fund - this fund is used to record the funding and payment of principal and interest on debt related to the bonds issued in 1999.

2004 Refunding Series (1995 & 1997) Fund - this fund is used to record the refunding and payment of principal and interest on debt related to the bonds originally issued in 1995 and 1997.

2004 Refunding Series (1999) Fund - this fund is used to record the refunding and payment of principal and interest on debt related to the bonds originally issued in 1999.

2006 Series Fund - this fund is used to record the payment of principal and interest on debt related to the bonds issued in 2006.

2006 Capital Project Fund - this fund is used to record the issuance of debt and related capital expenditures for a water improvement project completed in 2006.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Authority considers all receivables to be fully collectible.

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

iii) *Deferred charges* - The Authority has elected to prospectively account for bond issuance costs as deferred charges on the statement of net assets, and to amortize these costs over the life of the related long-term liabilities.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Authority as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Authority elected to account for infrastructure assets retroactively.

Capital assets are depreciated using the straight-line method over the following useful lives:

Water distribution system	50 years
Sewage collections system	50 years

The water distribution and sewage collection systems include both capitalized interest and purchased capacity fees, which will be depreciated over the life of the systems.

v) *Deferred revenue* - In the fund financial statements, deferred revenue currently consists of amounts unavailable for revenue recognition, in that these amounts are not expected to be received within 60 days of the end of the fiscal year.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - CASH:

State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Authority's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Authority will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At June 30, 2007, \$127,023 of the Authority's bank balances of \$269,465 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Authority believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - RECEIVABLES:

Receivables as of year end for the Authority's individual funds are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Inter- governmental</i>	<i>Special assessments</i>	<i>Interest</i>	<i>Total</i>
1998 Series	\$ 31,094	\$ -	\$ 952,201	\$ 31,883	\$ 1,015,178
2000 Series	43,723	-	2,314,874	77,185	2,435,782
2004 Series (1995 & 1997)	37,755	-	556,448	19,853	614,056
2004 Series (1999)	12,825	878	808,509	29,658	851,870
2006 Series	-	-	403,201	15,265	418,466
Unbonded capital projects	967	-	-	-	967
Totals	<u>\$ 126,364</u>	<u>\$ 878</u>	<u>\$ 5,035,233</u>	<u>\$ 173,844</u>	<u>\$ 5,336,319</u>

All receivables are considered to be fully collectible.

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2007, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Capital assets being depreciated:				
Water distribution system	\$ 10,778,897	\$ 361,983	\$ -	\$ 11,140,880
Sewage collection system	<u>16,913,006</u>	<u>33,770</u>	<u>-</u>	<u>16,946,776</u>
Subtotal	<u>27,691,903</u>	<u>395,753</u>	<u>-</u>	<u>28,087,656</u>
Less accumulated depreciation for:				
Water distribution system	(1,381,768)	(216,103)	-	(1,597,871)
Sewage collection system	<u>(2,409,558)</u>	<u>(338,316)</u>	<u>-</u>	<u>(2,747,874)</u>
Subtotal	<u>(3,791,326)</u>	<u>(554,419)</u>	<u>-</u>	<u>(4,345,745)</u>
Total capital assets being depreciated, net	<u>\$ 23,900,577</u>	<u>\$ (158,666)</u>	<u>\$ -</u>	<u>\$ 23,741,911</u>

Depreciation expense was charged to the public works function of the Authority.

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM LIABILITIES:

Long-term liabilities at June 30, 2007, are comprised of the following individual issues:

Special assessment bonds payable:

\$6,335,000 1998 limited tax general obligation bonds, due in annual installments of \$150,000 to \$600,000 through 2019; interest at 4.25% to 6.25%	\$ 5,485,000
\$10,390,000 2000 limited tax general obligation bonds, due in annual installments of \$310,000 to \$1,250,000 through 2021; interest at 5.00% to	8,755,000
\$3,410,000 2004 refunding bond (1995 & 1997), due in annual installments of \$70,000 to \$325,000 through 2017; interest at 2.75% to 4.00%	2,600,000
\$5,575,000 2004 refunding bond (1999), due in annual installments of \$40,000 to \$480,000 through 2020; interest at 2.00% to 4.10%	5,305,000
\$435,000 2006 limited tax general obligation bonds, due in annual installments of \$10,000 to \$25,000 through 2027, interest at 5.49%	<u>435,000</u>
Subtotal	22,580,000
Less unamortized deferred refunding charges	<u>(67,638)</u>
Total bonds payable	<u>22,512,362</u>
Long-term advances from member townships:	
Due to Casco Township	512,697
Due to South Haven Township	<u>780,429</u>
Total long-term advances	<u>1,293,126</u>
Total long-term liabilities	<u>\$ 23,805,488</u>

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
LTGO 1998 series	\$ 5,635,000	\$ -	\$ (150,000)	\$ 5,485,000	\$ 150,000
LTGO 2000 series	9,155,000	-	(400,000)	8,755,000	400,000
LTGO 2004 refunding series	2,920,000	-	(320,000)	2,600,000	325,000
LTGO 2004 refunding series	5,485,000	-	(180,000)	5,305,000	175,000
LTGO 2006 series	-	435,000	-	435,000	10,000
	<u>23,195,000</u>	<u>435,000</u>	<u>(1,050,000)</u>	<u>22,580,000</u>	<u>1,060,000</u>
Amounts deferred on refunding	<u>(80,156)</u>	-	<u>12,518</u>	<u>(67,638)</u>	-
	<u>23,114,844</u>	<u>435,000</u>	<u>(1,037,482)</u>	<u>22,512,362</u>	<u>1,060,000</u>
Long-term advances	<u>1,176,926</u>	<u>116,200</u>	-	<u>1,293,126</u>	-
Total long term liabilities	<u>\$ 24,291,770</u>	<u>\$ 551,200</u>	<u>\$ (1,037,482)</u>	<u>\$ 23,805,488</u>	<u>\$ 1,060,000</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued):

The long-term advances are payable from future cash flows as they become available and are recorded at zero interest.

Debt service requirements for bonds payable at June 30, 2007, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended June 30:		
2008	1,060,000	1,046,525
2009	1,155,000	993,326
2010	1,225,000	938,591
2011	1,290,000	880,730
2012	1,690,000	825,619
2013 - 2017	8,875,000	2,956,870
2018 - 2022	7,185,000	828,011
2023 - 2027	<u>100,000</u>	<u>13,725</u>
Totals	<u>\$ 22,580,000</u>	<u>\$ 8,483,397</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

Fund transfers were made to cover unbonded capital projects costs, and to prevent deficits in various debt service funds.

NOTE 7 - RISK MANAGEMENT:

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Authority has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - UNCERTAINTY:

The Authority's cash flows for the year ending June 30, 2007, may not be sufficient to make required debt service payments when they are due. The receipt of revenues beyond current levels is contingent upon additional customer connections and collections, which are not within the Authority's control. Ultimately, any cash shortfall will be payable by the constituent Township's under the terms of their full faith and credit pledges associated with the bond issues.

South Haven Township and Casco Township Water and Sewage Treatment Authority
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - PRIOR PERIOD ADJUSTMENTS:

The Authority has restated its beginning of year fund balances to correct the method of recognizing interest revenue earned on special assessments, and to correct bond interest expenditure, as follows:

	<u>1998 Series</u>	<u>2000 Series</u>	<u>2004(1995/1997) Series</u>	<u>2004 (1999) Series</u>	<u>2006 Series</u>	<u>Total</u>
Fund balances -beginning						
As previously reported	\$ 92,706	\$ 408,068	\$ 57,692	\$ -	\$ -	\$ 558,466
Prior period adjustments:		-				
To recognize accrued interest receivable	30,553	73,220	19,682	28,153	13,689	165,297
To correct interest on long-term debt	<u>-</u>	<u>-</u>	<u>(22,161)</u>	<u>-</u>	<u>-</u>	<u>(22,161)</u>
As restated	<u>\$ 123,259</u>	<u>\$ 481,288</u>	<u>\$ 55,213</u>	<u>\$ 28,153</u>	<u>\$ 13,689</u>	<u>\$ 701,602</u>

The adjustment to correct interest on long-term debt also reduced the net assets of the Authority at July 1, 2006 by \$22,161 to \$5,842,063, as restated.

SUPPLEMENTARY DATA

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES - As allocated to the
Township of South Haven
June 30, 2007

	<i>Debt Service</i>		
	<i>1998</i>	<i>2000</i>	<i>2004 (95/97)</i>
	<i>Series</i>	<i>Series</i>	<i>Series</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>
ASSETS			
Cash	\$ 3,978	\$ 19,627	\$ -
Receivables	<u>667,895</u>	<u>1,249,144</u>	<u>354,790</u>
Total assets	<u>\$ 671,873</u>	<u>\$ 1,268,771</u>	<u>\$ 354,790</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ -	\$ 1,508	\$ -
Due to other funds	-	69,931	30,262
Deferred revenue	<u>631,244</u>	<u>1,178,013</u>	<u>324,528</u>
Total liabilities	631,244	1,249,452	354,790
Fund balances - unreserved, undesignated	<u>40,629</u>	<u>19,319</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 671,873</u>	<u>\$ 1,268,771</u>	<u>\$ 354,790</u>

<u>2004 (99)</u> <u>Series</u> <u>Fund</u>	<u>2006</u> <u>Series</u> <u>Fund</u>	<u>Capital Project</u>		<u>Total</u>
		<u>2006</u> <u>Construction</u> <u>Fund</u>	<u>Unbonded</u> <u>Construction</u> <u>Fund</u>	
\$ -	\$ 47,878	\$ 42,442	\$ 7,054	\$ 120,979
<u>851,870</u>	<u>418,466</u>	<u>-</u>	<u>967</u>	<u>3,543,132</u>
<u>\$ 851,870</u>	<u>\$ 466,344</u>	<u>\$ 42,442</u>	<u>\$ 8,021</u>	<u>\$ 3,664,111</u>
\$ -	\$ -	\$ -	\$ 8,021	\$ 9,529
43,361	-	-	-	143,554
<u>808,509</u>	<u>403,201</u>	<u>-</u>	<u>-</u>	<u>3,345,495</u>
851,870	403,201	-	8,021	3,498,578
<u>-</u>	<u>63,143</u>	<u>42,442</u>	<u>-</u>	<u>165,533</u>
<u>\$ 851,870</u>	<u>\$ 466,344</u>	<u>\$ 42,442</u>	<u>\$ 8,021</u>	<u>\$ 3,664,111</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF ASSETS, LIABILITIES AND FUND BALANCES - As allocated to the
Township of Casco
June 30, 2007

	Debt Service		
	1998 Series Fund	2000 Series Fund	2004 (95/97) Series Fund
ASSETS			
Cash	\$ 59,627	\$ 80,541	\$ 8,318
Receivables	347,283	1,186,638	259,266
Due from other funds	-	3,930	139,624
	<u>-</u>	<u>3,930</u>	<u>139,624</u>
Total assets	<u>\$ 406,910</u>	<u>\$ 1,271,109</u>	<u>\$ 407,208</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ -	\$ 12,771	\$ -
Deferred revenue	320,957	1,125,541	231,920
	<u>320,957</u>	<u>1,125,541</u>	<u>231,920</u>
Total liabilities	320,957	1,138,312	231,920
Fund balances - unreserved, undesignated	<u>85,953</u>	<u>132,797</u>	<u>175,288</u>
Total liabilities and fund balances	<u>\$ 406,910</u>	<u>\$ 1,271,109</u>	<u>\$ 407,208</u>

Capital Project

**Unbonded
Construction
Fund**

Total

\$	-	\$	148,486
	-		1,793,187
	-		143,554
<hr/>		<hr/>	
\$	-	\$	2,085,227
<hr/>		<hr/>	

\$	-	\$	12,771
	-		1,678,418
<hr/>		<hr/>	
	-		1,691,189
	-		394,038
<hr/>		<hr/>	
\$	-	\$	2,085,227
<hr/>		<hr/>	

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - As allocated to the Township of South Haven
Year ended June 30, 2007

	Debt Service		
	1998 Series Fund	2000 Series Fund	2004 (95/97) Series Fund
REVENUES			
Customer charges - debt service	\$ 88,749	\$ 124,642	\$ 107,682
Fees and permits	-	2,500	-
Interest	47,020	74,681	30,089
Other - special assessments	124,030	120,088	72,128
Total revenues	259,799	321,911	209,899
EXPENDITURES			
Public works	8,843	12,420	10,730
Debt service:			
Principal	93,000	140,000	217,600
Interest and fees	162,037	171,509	66,547
Total expenditures	263,880	323,929	294,877
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,081)	(2,018)	(84,978)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Advances from township	5,895	8,279	7,153
Operating transfer in	-	-	100,910
Operating transfer out	(15,901)	(220,188)	(19,293)
Total other financing sources (uses)	(10,006)	(211,909)	88,770
NET CHANGE IN FUND BALANCES	(14,087)	(213,927)	3,792
FUND BALANCES - BEGINNING	54,716	233,246	(3,792)
FUND BALANCES - ENDING	\$ 40,629	\$ 19,319	\$ -

		<i>Capital Project</i>		
<u>2004 (99) Series Fund</u>	<u>2006 Series Fund</u>	<u>2006 Construction Fund</u>	<u>Unbonded Construction Fund</u>	<u>Total</u>
\$ 73,365	\$ -	\$ -	\$ -	\$ 394,438
-	-	-	-	2,500
61,899	14,271	3,803	-	231,763
<u>111,078</u>	<u>53,094</u>	<u>-</u>	<u>-</u>	<u>480,418</u>
<u>246,342</u>	<u>67,365</u>	<u>3,803</u>	<u>-</u>	<u>1,109,119</u>
7,309	-	345,816	70,671	455,789
180,000	-	-	-	630,600
<u>226,405</u>	<u>17,911</u>	<u>-</u>	<u>-</u>	<u>644,409</u>
<u>413,714</u>	<u>17,911</u>	<u>345,816</u>	<u>70,671</u>	<u>1,730,798</u>
<u>(167,372)</u>	<u>49,454</u>	<u>(342,013)</u>	<u>(70,671)</u>	<u>(621,679)</u>
-	-	435,000	-	435,000
4,873	-	-	-	26,200
147,491	-	-	70,671	319,072
<u>(13,145)</u>	<u>-</u>	<u>(50,545)</u>	<u>-</u>	<u>(319,072)</u>
<u>139,219</u>	<u>-</u>	<u>384,455</u>	<u>70,671</u>	<u>461,200</u>
(28,153)	49,454	42,442	-	(160,479)
<u>28,153</u>	<u>13,689</u>	<u>-</u>	<u>-</u>	<u>326,012</u>
<u>\$ -</u>	<u>\$ 63,143</u>	<u>\$ 42,442</u>	<u>\$ -</u>	<u>\$ 165,533</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - As allocated to the Township of Casco
Year ended June 30, 2007

	Debt Service		
	1998 Series Fund	2000 Series Fund	2004 (95/97) Series Fund
REVENUES			
Customer charges - debt service	\$ 89,122	\$ 125,479	\$ 108,297
Fees and permits	-	3,250	-
Interest	29,007	73,297	39,560
Other - special assessments	40,074	239,394	83,283
Total revenues	158,203	441,420	231,140
EXPENDITURES			
Public works	6,102	8,591	7,414
Debt service:			
Principal	57,000	260,000	102,400
Interest and fees	99,313	318,516	31,316
Total expenditures	162,415	587,107	141,130
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,212)	(145,687)	90,010
OTHER FINANCING SOURCES (USES)			
Advances from township	24,841	34,974	30,185
Operating transfer in	-	-	-
Operating transfer out	(3,219)	(4,532)	(3,912)
Total other financing sources (uses)	21,622	30,442	26,273
NET CHANGE IN FUND BALANCES	17,410	(115,245)	116,283
FUND BALANCES - BEGINNING	68,543	248,042	59,005
FUND BALANCES - ENDING	\$ 85,953	\$ 132,797	\$ 175,288

Capital Project
Unbonded
Construction
Fund

Total

\$	-	\$	322,898
	-		3,250
	-		141,864
	-		362,751

	-		830,763
--	---	--	---------

	11,663		33,770
--	--------	--	--------

	-		419,400
	-		449,145

	11,663		902,315
--	--------	--	---------

	(11,663)		(71,552)
--	----------	--	----------

	-		90,000
	11,663		11,663
	-		(11,663)

	11,663		90,000
--	--------	--	--------

	-		18,448
--	---	--	--------

	-		375,590
--	---	--	---------

\$	-	\$	394,038
----	---	----	---------

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF BOND RETIREMENT AND ANNUAL
INTEREST REQUIREMENTS - Series 1998 bonds
June 30, 2007

<u>Year</u>	<u>Annual interest requirements</u>	<u>Principal retirement (due May 1)</u>	<u>Total requirements</u>
2008	\$ 251,750	\$ 150,000	\$ 401,750
2009	242,375	185,000	427,375
2010	234,050	200,000	434,050
2011	224,950	250,000	474,950
2012	213,450	500,000	713,450
2013	190,200	600,000	790,200
2014	162,000	600,000	762,000
2015	133,800	600,000	733,800
2016	105,300	600,000	705,300
2017	76,500	600,000	676,500
2018	51,000	600,000	651,000
2019	25,500	600,000	625,500
	<u>\$ 1,910,875</u>	<u>\$ 5,485,000</u>	<u>\$ 7,395,875</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF BOND RETIREMENT AND ANNUAL
INTEREST REQUIREMENTS - Series 2000 bonds
June 30, 2007

<u>Year</u>	<u>Annual interest requirements</u>	<u>Principal retirement (due May 1)</u>	<u>Total requirements</u>
2008	\$ 461,750	\$ 400,000	\$ 861,750
2009	433,750	400,000	833,750
2010	405,750	400,000	805,750
2011	377,750	400,000	777,750
2012	357,750	400,000	757,750
2013	337,750	400,000	737,750
2014	317,750	400,000	717,750
2015	297,750	450,000	747,750
2016	275,250	500,000	775,250
2017	250,250	600,000	850,250
2018	220,250	750,000	970,250
2019	182,750	1,155,000	1,337,750
2020	125,000	1,250,000	1,375,000
2021	62,500	1,250,000	1,312,500
	<u>\$ 4,106,000</u>	<u>\$ 8,755,000</u>	<u>\$ 12,861,000</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF BOND RETIREMENT AND ANNUAL
INTEREST REQUIREMENTS - Series 2004 (1995 & 1997) refunding bonds
June 30, 2007

<u>Year</u>	<u>Annual interest requirements</u>	<u>Principal retirement (due May 1)</u>	<u>Total requirements</u>
2008	\$ 88,488	\$ 325,000	\$ 413,488
2009	78,738	325,000	403,738
2010	68,175	305,000	373,175
2011	58,262	305,000	363,262
2012	48,350	305,000	353,350
2013	38,056	300,000	338,056
2014	27,556	295,000	322,556
2015	16,862	295,000	311,862
2016	5,800	75,000	80,800
2017	<u>2,800</u>	<u>70,000</u>	<u>72,800</u>
	<u>\$ 433,087</u>	<u>\$ 2,600,000</u>	<u>\$ 3,033,087</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF BOND RETIREMENT AND ANNUAL
INTEREST REQUIREMENTS - Series 2004 (1999) refunding bonds
June 30, 2007

<u>Year</u>	<u>Annual interest requirements</u>	<u>Principal retirement (due May 1)</u>	<u>Total requirements</u>
2008	\$ 220,930	\$ 175,000	\$ 395,930
2009	215,680	225,000	440,680
2010	208,930	300,000	508,930
2011	199,180	315,000	514,180
2012	186,580	465,000	651,580
2013	167,980	460,000	627,980
2014	149,580	455,000	604,580
2015	131,380	450,000	581,380
2016	108,880	500,000	608,880
2017	83,880	500,000	583,880
2018	58,880	495,000	553,880
2019	39,080	485,000	524,080
2020	<u>19,680</u>	<u>480,000</u>	<u>499,680</u>
	<u>\$ 1,790,640</u>	<u>\$ 5,305,000</u>	<u>\$ 7,095,640</u>

South Haven Township and Casco Township Water and Sewage Treatment Authority
SCHEDULE OF BOND RETIREMENT AND ANNUAL
INTEREST REQUIREMENTS - Series 2006 bonds
June 30, 2007

<u>Year</u>	<u>Annual interest requirements</u>	<u>Principal retirement (due May 1)</u>	<u>Total requirements</u>
2008	\$ 23,607	\$ 10,000	\$ 33,607
2009	22,783	20,000	42,783
2010	21,686	20,000	41,686
2011	20,588	20,000	40,588
2012	19,489	20,000	39,489
2013	18,254	25,000	43,254
2014	16,882	25,000	41,882
2015	15,509	25,000	40,509
2016	14,137	25,000	39,137
2017	12,764	25,000	37,764
2018	11,392	25,000	36,392
2019	10,019	25,000	35,019
2020	8,647	25,000	33,647
2021	7,274	25,000	32,274
2022	6,039	20,000	26,039
2023	4,941	20,000	24,941
2024	3,843	20,000	23,843
2025	2,745	20,000	22,745
2026	1,647	20,000	21,647
2027	549	20,000	20,549
	<u>\$ 242,795</u>	<u>\$ 435,000</u>	<u>\$ 677,795</u>

**Board of Trustees
South Haven Township and Casco Township
Water and Sewage Treatment Authority**

In planning and performing our audit of the financial statements of the South Haven Township and Casco Township Water and Sewage Treatment Authority as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the South Haven Township and Casco Township Water and Sewage Treatment Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- The Authority does not reconcile special assessment balances and receipts recorded by the Authority and by the member townships at the end of the Authority's and the townships' respective fiscal years. Also, special assessment adjustments are not adequately documented. These conditions represent a lack of basic control procedures.



1958-2008

- Policies and procedures to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record receivables and payables, changes in capital assets and long-term debt, and to develop appropriate footnote disclosures were not in place. As in prior years, the Authority has relied upon our firm as auditor to identify and develop material adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the Authority's financial statements. However, when an organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses.

We recommend that management and those charged with governance evaluate and document their informed decision on the costs and benefits of contracting financial statement preparation services with its auditor.

This communication is intended solely for the information and use of the Board of Trustees of the South Haven Township and Casco Township Water and Sewage Treatment Authority and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

December 27, 2007